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Agricultural Foreign Direct Investment in India: A Case Study

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Abstract:
India's economy relies heavily on agriculture. Agriculture provides about 70% of the nation's food and accounts for 19% of India's GDP. Investment in agriculture is essential for promoting agricultural expansion and eradicating poverty. Investments from across the globe are necessary since national savings alone won't be enough to fund the expansion and modernization of the agricultural sector. Up to the end of 2017, foreign direct investment (FDI) in the agricultural industry reached Rs. 611.28 billion. According to the current scenario in India, 100% FDI is permitted via the simplified path, but only under the criteria outlined in the FDI policy. Foreign direct investment (FDI) is a critical factor pushing the agricultural industry toward prosperity. The increased yield and production capacity may be attributed in part to the new agricultural practices made possible by the surge of foreign investment in agriculture.

Keywords*: Foreign Direct Investment, Agriculture, poverty, academicians.*

INTRODUCTION

Seventy percent of the population of India relies on farming for their livelihood. Nearly 14% of India's GDP comes from the agricultural sector. It's also worth noting that agriculture is the single most important source of raw materials for the whole Indian economy. The Indian government boasts that the country's agricultural sector has flourished in recent decades, with annual rice output reaching a record high of 104,3 metric tons. Foreign direct investment (FDI) in agriculture is unquestionably crucial for alleviating poverty and hunger. Numerous studies have shown the positive effects of FDI on economic growth and development in underdeveloped nations. Foreign investments have not taken hold in most of India's rural regions, at least not yet. Public, private, international, and national investors all play distinct roles in the agricultural sector. Since domestic savings alone won't cut it, the gap between domestic and international investment must be closed by capital from abroad.

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FDI in India

The OECD (Organisation for Economic Cooperation and Development) defines FDIas "a category of investment that reflects the objective of establishing a lasting interest by a resident enterprise in one economy (direct investor) in an enterprise (direct investment enterprise) that is resident in an economy other than that of the direct investor. The lasting interest implies the existence of a long-term relationship between the direct investor and the direct investment enterprise and a significant degree of influence on the management of the enterprise. The direct or indirect ownership of 10% or more of the voting power of an enterprise resident in one economy by an investor resident in another economy is evidence of such a relationship." International Monetary Fund (IMF) has defined FDI as "a category of cross border investment made by a resident in one economy. The flow of foreign capital is viewed as an instrument of growth and development".

According to Organization for Economic Co-operation and Development, an investment of 10% or above from overseas is marked as FDI. Foreign direct investment policy is regulated under the Foreign Exchange Management Act, 2000 governed by the Reserve Bank of India. Investment in India can be through Automatic route which does not require approval from RBI or under Government Route that require pre approval from concerned departments and ministries through single window – Foreign Investment Facilitation Portal (FIFP) governed by Department of Industrial Policy and Promotions (DIPP), under Ministry of Commerce and Industries. FDI up to 100% is allowed under automatic route in specific area of agriculture and its allied sectors. Plantation sectors namely tea, coffee, cardamom, rubber, olive, and palm oil tree penetrate 100% FDI under automatic route. During the last 4 years i.e., 2013-2017 there was FDI inflow of $250.48 million in agriculture. It is a clear picture that Foreign Direct Investment has boosted the agriculture sector in India

- Agriculture Sector - Specific Limits of Foreign Direct Investment Inflow in India
- Various Challenges for FDI Inflow in Indian Agriculture:

- Lack of awareness Indian farmers are more conservative and out of reach of information on foreign direct investment. Most of the agrarian bulk is unaware of foreign investment in India. Problem concerning awareness can be removed by proper flow of information's to farmers through government and government nominated agencies or through advertisements.

- Lack of Technology and Knowledge Technology is the root of development. Adapting to digital innovation and developing in physical technology revamp the entire agrarian society. In India famers till date continue traditional farming methods for cropping. Opening door for FDI helps in technological revolution in the field of agriculture. But still India is way behind the use of modern methods for farmingbecause FDI is restricted in few areas of agriculture and allied activities.

- Lack of financial support and Loans Agriculture in India suffers from unavailability of formal finance specially to marginalized farmers. Financial drawback makes the farmers resist to various changes in technology. The major challenge for any sector is
availability of smart finance. Agriculture can revolutionize only if foreign investment actively take part in financing process.

- Lack of regulatory requirements Due to vague and incompetent regulatory requirement the process gets delayed. Regulatory requirement in most of the cases are very rigid to changes.

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This highly concerns the growth of agriculture sector in India. 5. Lack of co-ordination and alignment Most of the allied sectors are dependent on agriculture. Due to lack of co-ordination and alignment with foreign investment avenues it suffers from various drawbacks. Indian agriculture sector lack in interacting with foreigninvestors due to poor communication system and absence of technical knowledge among the farmers.

Countering Effect of FDI in agriculture sector in India:

I. Evolution in technology and new equipment's
II. Sustainable growth and development
III. Eliminates hunger and Poverty
IV. Establishes more investment avenues
V. Attainment of long-term goals and objectives

- India's large agricultural subsidies are hampering productivity-enhancinginvestment.
- Overregulation of agriculture has increased costs, price risks and uncertainty.
- Government interventions in labour, land, and credit markets.
- Inadequate infrastructure and services
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Objectives of the Study:

The goal of this study was to identify evidence reflecting FDI in agriculture sector in India. The specific objectives of the study are:

1. To test the awareness level of samples on FDI in agriculture.
2. To study the challenges faced by agriculture sector in India
3. To analyse the barriers in implementation of strong FDI approach in agriculture sectorin India.

Hypothesis of the Study:

The following hypothesis is formulated based on response retrieved from the respondents. The awareness level of respondent is tested along with other major variables such as challenges, barriers and effects of FDI in agriculture sector in India.

- H0: Gender and their awareness on FDI in Agriculture sector are independent.
- H0: There is no significant difference between the observed and expected value forthe major challenges in agriculture in India
- H0: There is no significant difference between the observed and expected value forbarriers against implementation of strong FDI approach in agriculture
- H0: There is no significant difference between the observed and expected value on countering effect of FDI in Agriculture sector in India

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II. REVIEW OF PAST STUDY

Dr. Anjali Chaudhary (2016). “Role of FDI in the growth of Indian Agriculture Sector: A post reform study” has stated that FDI plays a dominant role in boosting the productivity by bridging the technological gap. In recent years, India is has stepping back from attracting more Foreign investors when compared to other developing countries like China, Hong Kong, Singapore, Thailand, Taiwan, Malaysia etc. Indian Policy makers should revamp their effort to attract more FDI in agriculture sector.

Dr. ShobhitWadhwa& Dr. SuchetaAroraWadhwa (2014). FDI in agriculture sector in India: status and challenges have stated that, fast-growing countries like India getting tuned with international know-hows and global marketing strategies are important to achieve growth and development. Increase trade between nations stimulates foreign direct investment. In tune with other sectors, Government of India is tirelessly working towards making agriculture a prominent investment avenue for global players. The agriculture sector has decreased in growth rate from 7.9% in 2010-11 to 3.6% in 2011-2012 and declined further to 1.9% in 2012-2013. To improve the worst situation Government of India started providing subsidies to small farmers but still the subsidies provided by Indian government is far lessthan developing countries. Theadvent of Food Security Act of India passed in the parliament has stimulated the need for high level of investment in agriculture sector.

2.3 Sandeep Kumar &Kavita (2014). The research paper has stated that India with enormous population it is necessary to allow foreign investment to bring in technology and stable system that match with Indian culture. FDI is always preferred by developed countries instead of developing countries in order to boost up their business and productivity.

III. RESEARCH METHODS AND MATERIALS

The present study focuses on “the effects of FDI in agriculture sector in India”. The parameter for this study is 100 samples collected from academicians in Tamilnadu. This study paper consists of four main hypotheses namely,

- ❖ 1 the gender and their awareness about FDI in agriculture,
- ❖ 2 the major challenges faced by agriculture sector in India
- ❖ 3 the barriers to the implementation of strong FDI approach in agriculture and
- ❖ 4 the countering effect of FDI in agriculture sector in India. The hypotheticalcondition is tested using Pearson Chi-Square to test the dependency level between two variables andOne Sample Chi-Square test is adopted to test the goodness of fit under various conditions.

CONCLUSION

Agriculture being the important source for majority of the population, proper measures should be adopted by the government to ensure proper and steady fast flow of FDIin all agriculture-based activities and allied activities. Limited route and restriction do not ensure sustainable growth and development. The various barriers to FDI should be eliminated by revamping the policies that are friendly and stable. India should move towards foreign investment in order to develop in digital and technological innovation in agriculture exclusively. It is also notable that the following changes have taken shape namely; FDI Loan facilitation through agriculture insurance Institution and NABARD has been extended and corpus of rural infrastructure fund is raised with these changes more financial linkage shouldbe created to enhance the livelihood of the farmers

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